



C O N S U L T I N G

GVNW CONSULTING, INC.
3220 Pleasant Run
Springfield, IL 62707
(217) 698-2700 (Tel.)
(217) 698-2715 (Fax)
www.gvnw.com

Received & Inspected

OCT 29 2013

FCC Mail Room

REDACTED – FOR PUBLIC INSPECTION

October 22, 2013

Marlene H. Dortch, Secretary
Federal Communications Commission
Office of the Secretary
445 Twelfth Street S.W.
Room 5-A225
Washington, D.C. 20554

RE: CONFIDENTIAL FINANCIAL INFORMATION - SUBJECT TO PROTECTIVE ORDER IN WC DOCKET NOS. 10-90, 07-0135, 05-337, 03-109, CC DOCKET NOS. 01-92, 96-45, GN DOCKET NO. 09-51, WT DOCKET NO. 10-208, BEFORE THE FEDERAL COMMUNICATIONS COMMISSION. (FILED IN DOCKETS 10-90)

Dear Ms. Dortch,

South Central Communications, Inc. (South Central) hereby submits the attached redacted and confidential versions of its "FCC Form 481 – Carrier Annual Reporting Data Collection" financial information pursuant to sections §54.313 of the Commission's rules, as filed with the Universal Service Administrative Company.

Section 3005 of Form 481 requires the filing of financial information per 47 C.F.R. §54.313(f)(2). South Central maintains that this information is "Confidential Financial Information" on the grounds that it is competitively sensitive information which could be used to disadvantage or harm South Central and is submitting this information pursuant to Protective Order, DA 12-1857 as described below.

First, South Central is submitting the "Confidential Financial Information" as a "Stamped Confidential Document" with each page bearing the legend CONFIDENTIAL FINANCIAL INFORMATION - SUBJECT TO PROTECTIVE ORDER IN WC DOCKET NOS. 10-90, 07-0135, 05-337, 03-109, CC DOCKET NOS. 01-92, 96-45, GN DOCKET NO. 09-51, WT DOCKET NO. 10-208, BEFORE THE FEDERAL COMMUNICATIONS COMMISSION. One copy of the "Stamped Confidential Document" and accompanying cover letter are enclosed.

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Second, South Central is submitting the “Stamped Confidential Document” as a “Redacted Confidential Document” where the “Confidential Financial Information” has been redacted. Two copies of the “Redacted Confidential Document” and accompanying cover letter with each page stamped “REDACTED - FOR PUBLIC INSPECTION” are enclosed.

Finally, South Central is submitting two copies of the “Stamped Confidential Document” and accompanying cover letter to Charles Tyler, Telecommunications Access Policy Division, Wireline Competition Bureau, Federal Communications Commission, 445 Twelfth Street S.W., Room 5-A452, Washington, D.C. 20554.

FCC Form 481 was also filed prior to October 15th with the Iowa Utilities Board.

Please contact me with any questions you have on this filing.

Sincerely,

/s/ Dave Beier

Dave Beier
Consulting Manager
GVNW Consulting, Inc.
(217) 698-2700
dbeier@gvnw.com

Enclosures

REDACTED – FOR PUBLIC INSPECTION

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**SOUTH CENTRAL COMMUNICATIONS, INC.
PRINCETON, MISSOURI**

**FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORTS
Years ended December 31, 2012 and 2011**

**A wholly-owned subsidiary of
Grand River Mutual Telephone Corporation
Princeton, Missouri**



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
South Central Communications, Inc.
Princeton, Missouri

Report on the Financial Statements

We have audited the accompanying balance sheets of South Central Communications, Inc. (a Missouri corporation) as of December 31, 2012 and 2011, and the related statements of income, stockholders' equity and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment; including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by management as well as evaluating the overall financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of South Central Communications, Inc. as of December 31, 2012 and 2011, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Other Legal and Regulatory Requirements

In accordance with Government Auditing Standards, we have also issued a report dated April 9, 2013, on our consideration of South Central Communications, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in assessing the results of our audit.

Kresling Associates LLP

West Des Moines, Iowa
April 9, 2013

**SOUTH CENTRAL COMMUNICATIONS, INC.
PRINCETON, MISSOURI**

**BALANCE SHEETS
December 31, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents		
Temporary investments		
Accounts receivable:		
Due from customers		
Interexchange carriers		
Other		
Interest receivable		
Prepayments		
Deferred income taxes		
OTHER NONCURRENT ASSETS		
Goodwill		
Other investments		
Deferred charges		
PROPERTY, PLANT AND EQUIPMENT		
Telephone plant in service		
Less accumulated depreciation		
Plant under construction		
TOTAL ASSETS		

The accompanying notes are an integral part of these financial statements.

**SOUTH CENTRAL COMMUNICATIONS, INC.
PRINCETON, MISSOURI**

**BALANCE SHEETS
December 31, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
CURRENT LIABILITIES		
Accounts payable:		
Interexchange carriers		
Affiliates		
Other		
Customer deposits		
Accrued taxes		
Other		
OTHER NONCURRENT LIABILITIES		
Deferred income taxes		
STOCKHOLDERS' EQUITY		
Common stock - \$10 par value, 600,000 shares authorized, 540,000 shares issued		
Retained earnings		
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		

The accompanying notes are an integral part of these financial statements.

**SOUTH CENTRAL COMMUNICATIONS, INC.
PRINCETON, MISSOURI**


**STATEMENTS OF INCOME
Years ended December 31, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
OPERATING REVENUES		
Local network services		
Network access services		
Internet, equipment sales and rental		
Billing and collection services		
Miscellaneous revenue		
OPERATING EXPENSES		
Plant specific operations		
Plant nonspecific operations		
Cost of sales and services		
Depreciation		
Customer operations		
Corporate operations		
General taxes		
OPERATING INCOME (LOSS)		
OTHER INCOME (EXPENSE)		
Interest and dividend income		
Interest expense		
Other, net		
INCOME (LOSS) BEFORE INCOME TAXES		
INCOME TAXES		
NET INCOME (LOSS)		

The accompanying notes are an integral part of these financial statements.

**SOUTH CENTRAL COMMUNICATIONS, INC.
PRINCETON, MISSOURI**

**STATEMENTS OF STOCKHOLDERS' EQUITY
Years ended December 31, 2012 and 2011**

	<u>Common Stock</u>		<u>Retained</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>	<u>Earnings</u>	<u>Stockholders'</u>
				<u>Equity</u>
Balance at December 31, 2010				
Net income				
Balance at December 31, 2011				
Net loss				
Balance at December 31, 2012				

The accompanying notes are an integral part of these financial statements.

**SOUTH CENTRAL COMMUNICATIONS, INC.
PRINCETON, MISSOURI**

**STATEMENTS OF CASH FLOWS
Years ended December 31, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)		
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation		
Deferred income taxes		
Patronage distributions received from business conducted with cooperatives		
Changes in assets and liabilities:		
(Increase) Decrease in:		
Receivables		
Prepayments		
Deferred charges		
Increase (Decrease) in:		
Accounts payable		
Accrued taxes		
Other		
Net cash provided by operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures		
Purchases of held-to-maturity securities		
Proceeds from sales/maturities of held-to-maturity securities		
Salvage, net of cost of removing plant		
Net cash used in investing activities		
 Net Increase (Decrease) in Cash and Cash Equivalents		
 Cash and Cash Equivalents at Beginning of Year		
 Cash and Cash Equivalents at End of Year		

The accompanying notes are an integral part of these financial statements.

**SOUTH CENTRAL COMMUNICATIONS, INC.
PRINCETON, MISSOURI**

**NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

South Central Communications, Inc. (herein referred to as "the Company") is a provider of telecommunications exchange and local access services, internet and telecommunications equipment in a service area located primarily in south central Iowa.

The accounting policies of the Company conform to accounting principles generally accepted in the United States of America. Management uses estimates and assumptions in preparing its financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Management has evaluated subsequent events through April 9, 2013, the date the financial statements were available for issue. Telephone operations reflect practices appropriate to the telephone industry. The accounting records of the telephone company are maintained in accordance with the Uniform System of Accounts for Class A and B Telephone Companies prescribed by the Federal Communications Commission (FCC) as modified by the state regulatory authority.

Cash Equivalents

All highly liquid investments with a maturity of three months or less at the time of purchase are considered cash equivalents.

Accounts Receivable

Receivables are reported at the amounts the Company expects to collect on balances outstanding at year end. The Company monitors outstanding balances and periodically writes off balances that are determined to be uncollectible. The Company has concluded that losses on balances outstanding at year end will be immaterial.

Investments

Marketable securities bought and held principally for selling in the near future are classified as trading securities and carried at fair value. Unrealized holding gains and losses on trading securities are reported in earnings. Marketable securities classified as available-for-sale are carried at fair value with unrealized holding gains and losses recorded as a separate component of stockholders' equity. Debt securities for which the Company has both the positive intent and ability to hold to maturity are classified as held-to-maturity and are carried at amortized cost. The Company uses the average cost method of computing realized gains and losses.

Nonmarketable equity investments over which the Company has significant influence are reflected on the equity method. Other nonmarketable equity investments are stated at cost.

**SOUTH CENTRAL COMMUNICATIONS, INC.
PRINCETON, MISSOURI**

**NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill

Goodwill assets deemed to have indefinite lives are stated at the lower of cost or fair value. These assets are subject to periodic impairment tests.

Property, Plant and Equipment

Property, plant and equipment is capitalized at original cost including the capitalized cost of salaries and wages, materials, certain payroll taxes and employee benefits.

The Company provides for depreciation for financial reporting purposes on the straight-line method by the application of rates based on the estimated service lives of the various classes of depreciable property. These estimates are subject to change in the near term.

Renewals and betterments of units of telephone property are charged to telephone plant in service. When telephone plant is retired, its cost is removed from the asset account and charged against accumulated depreciation less any salvage realized. No gains or losses are recognized in connection with routine retirements of depreciable telephone property. Repairs and renewals of minor items of telephone property are included in plant specific operations expense.

Long-Lived Assets

The Company would provide for impairment losses on long-lived assets when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amount. Based on current conditions, management does not believe any of its long-lived assets are impaired.

Income Taxes

The Company is included in the tax return with its parent for income tax purposes. For financial reporting purposes, income taxes are presented by apportioning the consolidated tax provision in the ratio of the income taxes to be paid as if each were filing a separate return.

Income taxes are accounted for using a liability method and provide for the tax effects of transactions reported in the financial statements including both taxes currently due and deferred. Deferred taxes are adjusted to reflect deferred tax consequences at current enacted tax rates. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred taxes arise from intangible assets, property, plant and equipment and certain payables. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible, when the assets and liabilities are recovered or settled.

**SOUTH CENTRAL COMMUNICATIONS, INC.
PRINCETON, MISSOURI**

**NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

The Company recognizes revenues when earned regardless of the period in which they are billed. The Company is required to provide telephone service to subscribers within its defined service territory.

Local network service and internet revenues are recognized over the period a subscriber is connected to the network.

Network access and long distance service revenues are derived from charges for access to the Company's local exchange network. The interstate portion of access revenues is based on a cost separation procedure settlement formula administered by the National Exchange Carrier Association (NECA) which is regulated by the FCC. The intrastate portion of access revenues is billed based on an individual company tariff access charge structure filed with the Iowa Utilities Board (IUB). The tariffs developed from this structure are used to charge the connecting carrier and recognize revenues in the period the traffic is transported based on the minutes of traffic carried.

Reported network access revenues are estimates subject to settlement adjustments in the near term resulting from changes in expense and plant investment levels and rate of return experience.

Revenues from network access and long distance services were increased (decreased) by \$(34,000) and \$31,000 in 2012 and 2011, respectively, as a result of adjustments to prior years' estimates.

Other revenues include contractually determined arrangements for the provision of billing and collecting services and are recognized in the period when the services are performed.

Revenues from system sales and services are derived from the sale, installation, and servicing of communications systems. Customer contracts of sales and installations are recognized using the completed-contract method which recognizes income when the contract is substantially complete. Rental revenues are recognized over the rental period. Credit is granted to customers, substantially all of whom are located in south central Iowa.

The Company recognizes internet related revenues charged to its end user customer in the statement of operations as internet services. Included in network access services is the settlement received from NECA related to using the regulated plant facilities to provide internet services. Payments made to NECA under the wholesale DSL program associated with the use of the regulated plant facilities to provide high speed internet service are included in cost of internet services and totaled [REDACTED] and [REDACTED] in 2012 and 2011, respectively.

**SOUTH CENTRAL COMMUNICATIONS, INC.
PRINCETON, MISSOURI**

**NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising Costs

Advertising costs are expensed as incurred. Advertising expenses were [REDACTED] and [REDACTED] in 2012 and 2011, respectively.

Fair Value Measurements

The Company determines the fair value of its financial assets and liabilities based on the fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The following three levels of inputs may be used to measure fair value:

- Level 1 Quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.
- Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Reclassifications

Certain reclassifications have been made to the 2011 financial statements to conform with the 2012 presentation.

**SOUTH CENTRAL COMMUNICATIONS, INC.
PRINCETON, MISSOURI**

**NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011**

NOTE 2. SECURITIES INVESTMENTS

The amortized cost and fair value of available-for-sale and held-to-maturity securities are:

	<u>Amortized Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>
<u>December 31, 2012:</u>				
Held-to-Maturity:				
U.S. Treasury securities				
Amounts classified as:				
Temporary investments				
<u>December 31, 2011:</u>				
Held-to-Maturity:				
U.S. Treasury securities				
Amounts classified as:				
Temporary investments				

Investments measured at fair value are valued at Level 1 in the fair value hierarchy.

NOTE 3. GOODWILL

Goodwill consists of the following:

	<u>2012</u>	<u>2011</u>
Balance Beginning and End of Year		

The Company annually assesses its recorded balance of goodwill for impairment. The fair value of goodwill is based on level 3 inputs of the fair value hierarchy. The estimated fair value is derived from various valuation techniques, including market capitalization, comparable sales and discounted cash flows. As a result, the Company determined no impairment needed to be recorded for the years ended December 31, 2012 and 2011.

**SOUTH CENTRAL COMMUNICATIONS, INC.
PRINCETON, MISSOURI**

**NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011**

NOTE 4. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment includes the following:

	<u>2012</u>	<u>2011</u>
Telephone plant in service:		
Land		
Buildings		
Other general support assets		
Central office assets		
Cable and wire facilities		
Other plant and equipment		
Total property, plant and equipment		

Depreciation on depreciable property resulted in composite rates of 6.61% and 4.27% for 2012 and 2011, respectively.

Beginning January 1, 2012, the Company's depreciation rate on buried cable was increased to more accurately reflect the estimated remaining service life of this equipment. This change resulted in approximately [REDACTED] additional depreciation expense in 2012 compared to 2011 on these assets.

NOTE 5. INCOME TAXES

Income taxes reflected in the Statements of Income consist of the following:

	<u>2012</u>	<u>2011</u>
Federal income taxes:		
Current tax expense (benefit)		
Deferred tax expense (benefit)		
State income taxes:		
Current tax expense (benefit)		
Deferred tax expense (benefit)		
Total income tax expense (benefit)		

Cash paid (received) for income taxes and estimated income taxes for 2012 and 2011 totaled [REDACTED] and [REDACTED] respectively.

**SOUTH CENTRAL COMMUNICATIONS, INC.
PRINCETON, MISSOURI**

**NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011**

NOTE 5. INCOME TAXES (Continued)

Deferred federal and state tax liabilities and assets reflected in the Balance Sheets are summarized as follows:

	<u>2012</u>	<u>2011</u>
Deferred Tax Liabilities		
Federal		
State		
Total Deferred Tax Liabilities		
Deferred Tax Assets		
Federal		
State		
Total Deferred Tax Assets		
Net Deferred Tax Liabilities		
Current Portion		
Long-term Portion		
Net Deferred Tax Liabilities		

The tax provision differs from the expense that would result from applying the federal statutory rates to income before income taxes because of state income taxes.

The Company has evaluated its income tax positions and has determined that there are no uncertain income tax positions that need to be recorded or reported in the financial statements at December 31, 2012.

The Company's federal and state income tax returns for years 2009 to present remain subject to examination.

NOTE 6. RELATED PARTY TRANSACTIONS

The Company is a wholly-owned subsidiary of Grand River Mutual Telephone Corporation which provided certain accounting, commercial and other operational services at cost aggregating [REDACTED] and [REDACTED] in 2012 and 2011, respectively.

**SOUTH CENTRAL COMMUNICATIONS, INC.
PRINCETON, MISSOURI**

**NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011**

NOTE 6. RELATED PARTY TRANSACTIONS (Continued)

In addition, the Company's customers subscribe to the parent company's long distance service. In connection with this service, the Company received from and paid to Grand River Mutual Telephone Company as follows during 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Received from:		
Billing and collection revenue		
Paid to:		
Toll service billing		

NOTE 7. CONCENTRATIONS OF CREDIT RISK

The Company grants credit to customers, all of whom are located in the franchised service area, and telecommunications intrastate and interstate long distance carriers.

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash equivalents and temporary investments. The Company places its temporary investments in several financial institutions which limits the amount of credit exposure in any one financial institution.

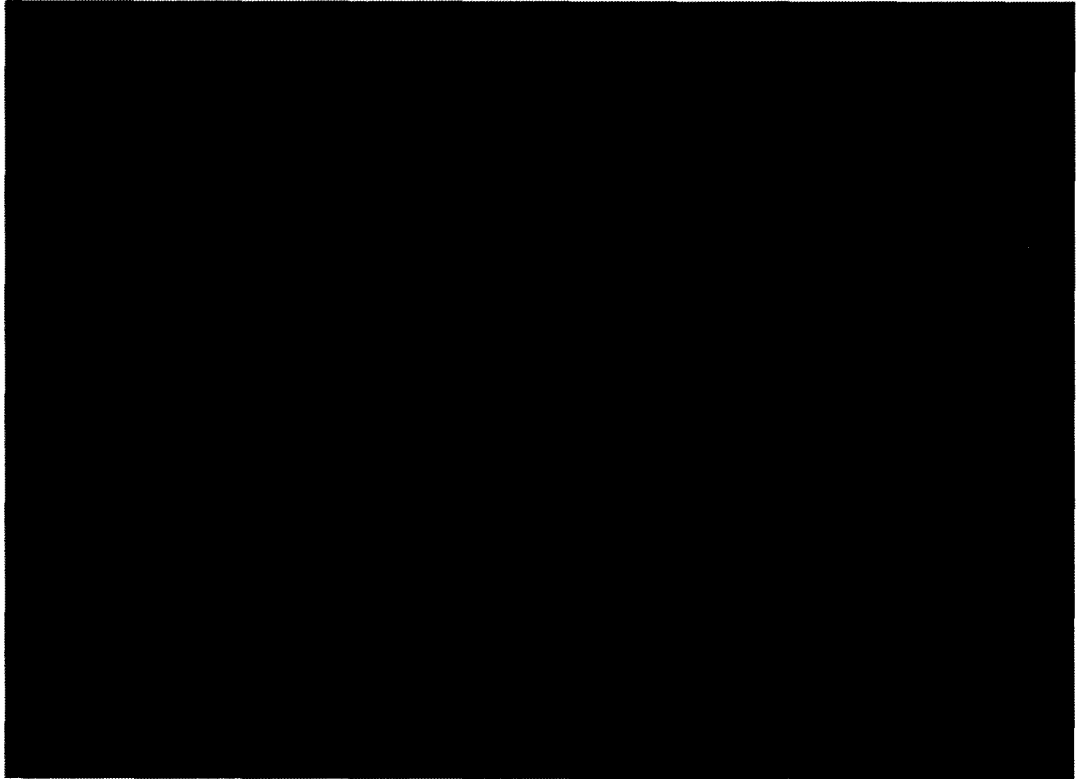
The Company maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risk on cash and cash equivalents.

NOTE 8. BROADBAND INITIATIVES PROGRAM GRANT

**SOUTH CENTRAL COMMUNICATIONS, INC.
PRINCETON, MISSOURI**

**NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011**

NOTE 8. BROADBAND INITIATIVES PROGRAM GRANT (Continued)



NOTE 9. REGULATORY MATTERS

The Company received 51% of its 2012 revenues from access revenues and assistance provided by the Federal Universal Service Fund. As a result of the National Broadband Plan the manner in which access revenues and Universal Service Funds are determined has been modified by the Federal Communications Commission in an order effective December 29, 2011. Among other things, this order provides for (1) a requirement to provide broadband services; (2) the establishment of a Connect America Fund (CAF) to replace current USF and high cost support mechanisms with a cap on the total fund; (3) modifications to the current rate of return support model including caps on the recovery of certain expenditures; (4) a reduction in the terminating access charges billed by the Company over a nine year period with eventual transition to a bill-and-keep framework for the exchange of traffic between carriers; (5) a new access recovery charge on monthly customer bills; and (6) a national framework for reporting and oversight.

The order calls for further guidelines to be adopted on implementation and other topics. Portions of this order applicable to the Company are being challenged. Accordingly, neither the outcome of these proceedings nor their potential impact on the Company can be predicted at this time.